

# REPORT / RECOMMENDATION



**To:** City Council & Park Board

**Agenda Item #:** W.S. III.

**From:** Joe Abood  
Braemar Golf Course General Manager

**Action** ☐

**Discussion** ☒

**Date:** May 6, 2015

**Information** ☐

**Subject:** Braemar Master Plan

## **Action Requested:**

### **Background:**

At the June 17, 2014 City Council meeting the council ratified the selection of the Braemar Master Plan Task Force appointments. Rick Ites, Pacy Erck, Joseph Hulbert, Dick Brozic and Paul Presthus were selected by an application and interview process as well as Brenda McCormick and David Deeds who were appointed by the Park Board. The task force has been meeting on a weekly basis since July 2014. Rick Ites was selected as the chairperson to lead the Master Plan Task Force through the process.

On July 28, 2014 the Request for Proposal for a golf course architect for the Braemar Golf Course Master Plan was advertised.

On Aug. 22, 2014 twenty-eight (28) consultants from all over the country submitted proposals in response to the Braemar Master Plan RFP. Of the 28, five were selected by staff to interview and be evaluated by the Task Force.

In August 2015, an NGF - GolfSAT Survey was conducted. There were 739 Braemar Golf Course patron responses. This survey helped structure the Master Plan Task Force objectives and Mission Statement. Key findings are below.

Master Plan Task Force. Interviews were conducted September 8— 10, 2014.

At the Sept. 16, 2014 City Council meeting Richard Mandell Golf Architecture consulting services was selected to complete the Master Plan at Braemar Golf Course.

In October 2014, Mandell conducted multiple site walks with community residents (over 75 residents participated), environmental agencies and the Master Plan Task Force as well as held an open house to gather feedback for the Master Plan.

In January 2015, Mandell once again met with community residents (over 100 residents participated), environmental agencies and the Master Plan Task Force to discuss preliminary concepts for the future of the Braemar Golf facility.

Jan. 13, 2015, Mandell presented the Park Board preliminary concepts for consideration.

Feb. 17, 2015, Mandell presented City Council preliminary concepts for consideration.

April 14, 2015, Mandell submitted the final Renovation Business Plan for Task Force and staff review.

May 6, 2015, Master Plan work session with City Council, Park Board, staff and Master Plan Task Force.

### **Future Schedule:**

May 12, 2015, Master Plan Task Force and staff will make a recommendation to the Park Board.

June 2, 2015, Master Plan Task Force and staff will make a recommendation to the City Council.

## **MASTER PLAN TASK FORCE INFORMATION**

The following Master Plan Task Force information was provided to staff by the Master Plan Task Force for inclusion in this document.

### **Master Plan Task Force Mission Statement:**

*To create a premier Minnesota public golf course that provides access to a friendly, enjoyable, and playable golf experience for golfers of all ages and abilities, now and for future generations.*

## **MASTER PLAN TASK FORCE CONCLUSIONS**

### **Decision Making Attributes**

- The Task Force looked at several important attributes when evaluating a 27 hole or 18 hole option.
  - **Accessibility**
    - **Golf Leagues** - Braemar has one of the largest league programs in the state for both 18 and 9 hole men and women golfers.
    - **Youth Program** - Braemar is grooming future golfers with one of the most developed youth golfing programs in the state.
    - **Special Needs Programs** - Braemar has a very successful program for special needs golfers.
    - **Nine Hole Golfers** - Braemar has a very high percentage of 9 hole golfers. The 9 hole rounds last year (29,153) exceeded the number of 18 hole rounds (26,158).
  - **Financial** - We looked at how course utilization, expenses, cash flow and profitability might be impacted by the different options.
  - **Environment** - Braemar is a unique urban golfing experience because of our beautiful parkland property. We looked at how our re-design options could enhance the current park environment now, and also how it could impact future generations of golfers.

### 27 Hole Option

- **Accessibility** - Accessibility is best addressed by a 27 hole option. Golf leagues, youth programs, special needs programs would not only be maintained but would also have room to grow.
- **"Fix Clunie"** - The number one request by most golfers in our listening sessions was "Fix the Clunie nine!" When existing golfers avoid the Clunie nine, it creates all kinds of problems financially and operationally for the staff. We believe that the planned re-design of Clunie is such a significant improvement that it will drive higher course round utilization than what staff has forecasted (68%).
- **Nine Hole Golfers** - These golfers are often seniors, couples, and parents playing with a child. To some people, golf is too long a process and 9 holes is all the time they can afford from a busy lifestyle standpoint. We believe that with the 27 hole option, course utilization increases with maintaining and growing these 9 hole rounds rather than losing them.
- **Financial** - Clearly, the 27 hole option is more costly and would never reach the profitability of an 18 hole course option. It takes more staff and resources to manage 27 holes.
- **Pace of Play** - The re-routing of some holes on 1 - 18 will equal out the yardages which should speed up pace of play on those nines. In addition, the re-design of Clunie significantly speeds up pace of play on this nine by eliminating some of the forced carries and correcting problem holes.
- **Corporate Events** - The 27 hole option gives Braemar the ability to stage more corporate events and tournaments to increase course utilization.

### 18 Hole Option

- **Financial** - The 18 hole option would have higher utilization resulting in improved profitability and reduced financial risk. Expenses with 18 holes would be lower because of reduced labor and supplies.
- **Premier Course** - A re-designed 18 hole course would be one of the best municipal courses in the region. Edina residents and patron card holders would be given preferential treatment in terms of tee-time availability.
- **More Amenities** - This option would leave more room to provide other amenities like a nature center and other practice amenities.
- **Accessibility** - With increased utilization of an 18 hole course, tee time availability to league, youth, and special need golf programs could place some of these programs at risk.
- **9 Hole Golfers** - An 18 hole option would force staff to financially favor 18 hole over 9 hole golfers. We would most likely lose most of these golfers.

**MASTER PLAN TASK FORCE PROFORMA****Braemar Golf Task Force****Key Considerations**

8-Apr-15

- I The expected utilization of the course is expected to be approx. 55,000 rounds for both 27-hole and 18-hole option.
- The 27 hole option assumes similar level of play (50% 18 hole / 50% 9 hole), which is not the most efficient revenue mix.
  - The 18 hole option assumes a shift from 9 hole rounds to more profitable 18 hole rounds. This mix change will result in a more profitable revenue model, but requires changes to league play, timing of juniors training, etc.

		Capacity	Utilization	%
27 hole capacity		80,000	54,500	68%
	18 hole	50,000	27,500	55%
	9 hole	30,000	27,000	90%
18 hole		65,000	55,050	85%
	18 hole	45,000	40,000	89%
	19 hole	20,000	15,000	75%
Current		80000	52000	65%
	18 hole	50000	25000	50%
	9 hole	30000	27000	90%

- II The historical high for number of rounds was 67,000 - This is not expected to occur again. If we thought golf would rebound to these levels, the 18 hole option would not be able to accommodate the demand.
- III This review does not consider the viability of the Driving Range/Par 3 Project or the expense associated with the upgrade sprinkler system (assumed to be maintenance)
- IV The financial return is highly dependent on the utilization, pricing and expense assumptions. Based on Finances alone the 18-hole option is best. Overtime, both options have a loss because expenses are assumed to grow faster than revenues.

Joe's Model	2020	2025	2030
27 hole	(183)	(401)	(604)
18 hole	328	89	(341)

**The 27 hole model**

Incremental Capital Required \$ 6,556

WACC = 5%

	Best Case	Moderate	Joe's Estimate
Utilization	78%	71%	68%
Annual Pricing 18-hole	7% First YR / 3% annually	7% First YR / 3% annually	1% First YR / 1% annually
Annual Pricing 9-hole	3% First YR / 2% annually	3% First YR / 2% annually	1% First YR / 1% annually
Expense Inc	2%	2%	2%
NPV	\$ (5,034)	\$(5,358)	(7,505)
IRR	-10%	NA	NA
Financially viable	Maybe	NO	NO
Free Cash Flow 2025	237	36	(101)

The 27-hole option is only viable if higher utilization can be assumed along with more sustained annual price increases. This option provides more flexibility and less change in the golf habits of the customers is needed.

**The 18 hole model**

Incremental Capital Required \$ 4,358

WACC = 5%

	Best Case	Joe's Estimate	Worst Case
Utilization	85%	85%	65%
Annual Pricing 18-hole	7% First YR / 1% annually	1% First YR / 1% annually	1% First YR / 1% annually
Annual Pricing 9-hole	5% First YR / 1% annually	1% First YR / 1% annually	1% First YR / 1% annually
Expense Inc	2%	2%	2%
NPV	(1,283)	(1,808)	\$(2,027)
IRR	0%	-4%	NA
Financially viable	OK	Maybe	NO
Free Cash Flow 2025	376	304	26

The 18-hole option is less risky financially, but requires a change in golfer habits at the course. The downside is also less risky if golf utilization drops off. This option does not provide flexibility if golf rebounds a more rounds could be secured given the 85% assumed utilization rate.



**STAFF CONCLUSIONS**

Staff recommends the 18 hole option with an alternate use for the remaining park property. The alternate use park concepts include but is not limited to recreational trails, an environmental education area, winter sport use, a four/six hole practice course, a putting course, a foot golf course, a disk golf course, grass fields and the like. The ability to reinvest profits for future capital improvements from within the golf enterprise is another substantial reason staff recommends the 18 hole option. While Richard Mandell has shown an option for renovating the Clunie nine that would expand into the hill on the east side of Braemar Park, due to the decline in golf locally and nationally, staff is reluctant to recommend expanding the footprint of the golf course.

Staff findings are based on the directive for 100% cost recovery of the Golf Enterprise facilities and provide the City of Edina the least amount of financial risk. A 27 hole option is viable, however there is substantially more financial risk involved based on the state of the golf industry and Braemar historical information.

Along with the financial considerations, staff believes that reasonable accessibility can be maintained with an 18 hole option. In 2014, 55,311 rounds were played on the Braemar 27 hole regulation courses. With proper tee sheet management, these rounds can be accommodated on the 18 hole regulation course with additional room for growth. Additionally, staff believes that an 18 hole regulation course and par 3 course will provide ample opportunities to continue its extensive league participation and continued junior development programming. Edina residents would be given priority tee times so that access can be achieved by residents.

Upon conclusion of the Braemar Golf Course Master Plan process, staff recommends completing a master plan of the entire 450 acre Braemar Park site.

**Work Session**

Richard Mandell will be at the work session to present the 18 hole and 27 hole options and to answer questions regarding the proposed course designs. The members of the Braemar Master Plan Task Force will also be present to discuss options and answer questions. Staff has prepared an agenda for the work session. We understand that there will be a lot of information to cover in just an hour we but appreciate the opportunity to get the Task Force, Park Board and City Council together for this important discussion.

**ATTACHMENTS:****A: Staff Pro Forma****B: Customer Demographics and Survey Information****C: Ehlers Report****D: Renderings****E: Work Session Agenda**

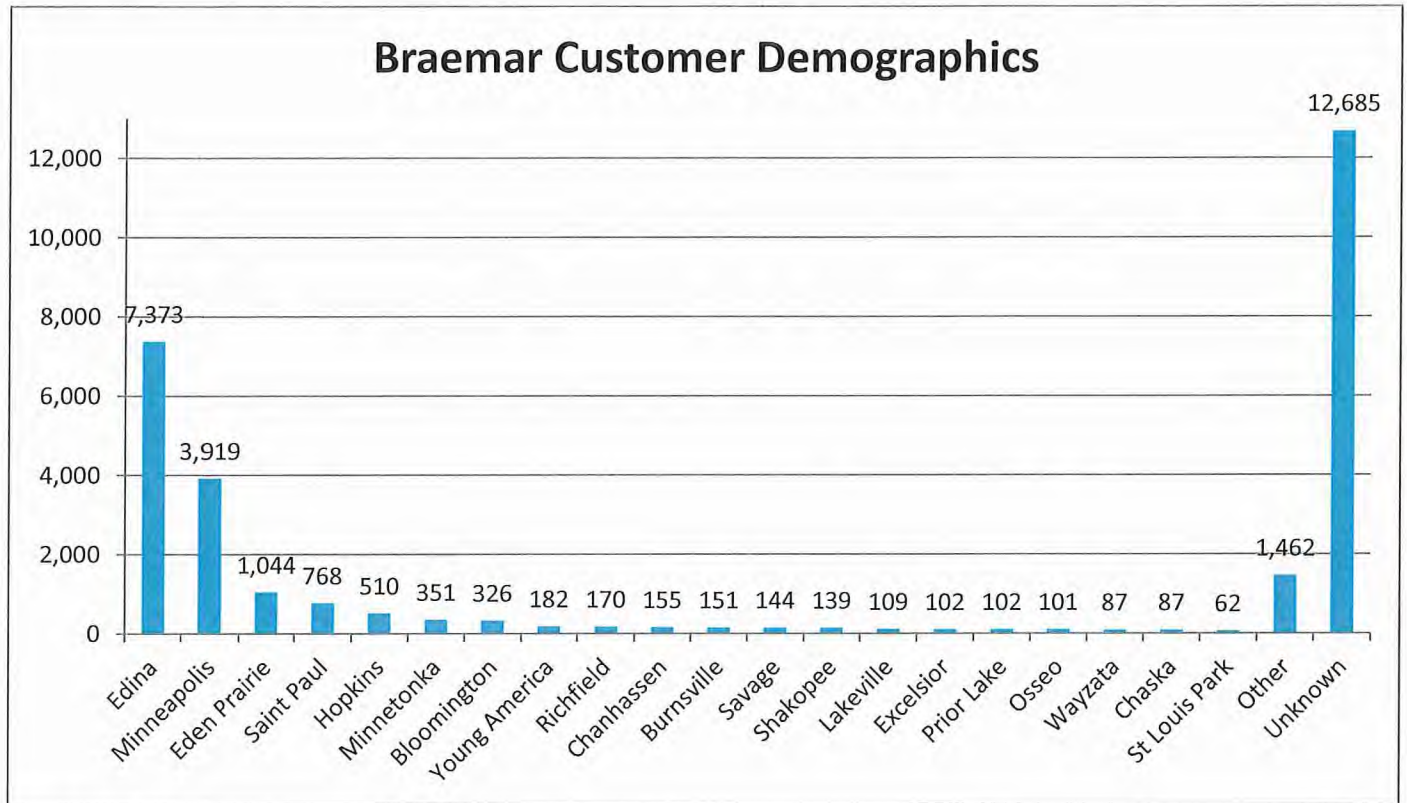
**ATTACHMENT A:**

## Staff Proforma Summary

Regulation 27 - Status Quo									
	Preliminary 2014	Projected 2015 4 Year Average (2011-2014)	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022
Total Operating Revenue	\$3,229,349	\$2,647,477	\$2,961,655	\$3,148,405	\$3,197,592	\$3,247,803	\$3,299,062	\$3,351,398	\$3,404,837
Total Operating Expense	\$3,217,426	\$2,840,765	\$2,995,444	\$3,118,824	\$3,283,886	\$3,350,674	\$3,419,238	\$3,486,587	\$3,555,749
Operating Income (Loss)	\$11,923	\$193,289	\$33,789	\$29,580	\$86,293	\$102,872	\$120,176	\$135,189	\$150,912
Estimated Annual Cash Flow	\$1,433,926	\$71,004	\$3,721	\$112,040	\$150,283	\$164,837	\$87,041	\$202,054	\$217,777
Regulation 27 - Renovation									
	Preliminary 2014	Projected 2015 4 Year Average (2011-2014)	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022
Total Operating Revenue	\$3,229,349	\$2,647,477	\$2,961,655	\$2,513,014	\$2,553,771	\$2,595,405	\$3,432,067	\$3,485,598	\$3,540,239
Total Operating Expense	\$3,217,426	\$2,840,765	\$2,995,444	\$2,570,558	\$2,771,482	\$2,973,756	\$3,719,238	\$3,843,550	\$3,877,126
Operating Income (Loss)	\$11,923	\$193,289	\$33,789	\$57,545	\$217,711	\$378,351	\$287,170	\$357,953	\$336,887
Estimated Annual Cash Flow	\$497,574	\$227,504	\$66,279	\$88,085	\$246,301	\$404,916	\$311,635	\$382,418	\$361,352
Regulation 18 - Renovation									
	Preliminary 2014	Projected 2015 4 Year Average (2011-2014)	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022
Total Operating Revenue	\$3,229,349	\$2,647,477	\$2,961,655	\$1,136,974	\$3,225,529	\$3,276,089	\$3,327,703	\$3,380,400	\$3,434,206
Total Operating Expense	\$3,217,426	\$2,840,765	\$2,995,444	\$1,408,805	\$2,882,726	\$3,094,915	\$3,151,049	\$3,208,668	\$3,267,811
Operating Income (Loss)	\$11,923	\$193,289	\$33,789	\$271,831	\$342,803	\$181,174	\$176,654	\$171,732	\$166,395
Estimated Annual Cash Flow	\$1,433,926	\$71,004	\$3,721	\$189,371	\$180,713	\$178,609	\$269,189	\$164,267	\$158,930

**ATTACHMENT B:**

## Customer Demographics



## Survey Data

(739 responses / 61% of which are Edina Residents / 76% male & 24% female / 50% below retirement age)

## Satisfaction Factors (What our customers would most like to see improvement in)

1. Pace of Play
2. Overall Quality of Practice Facility
3. Condition of Bunkers
4. Amenities
5. Food & Beverage Service
6. Condition of Tees

## Competition (Who we are being compared to)

1. Baker National Golf Course
2. Chaska Town Course
3. Brookview Golf Course
4. Dwan Golf Club
5. Bluff Creek golf Club
6. Deer Run Golf Club



**ATTACHMENT C:****MEMO**

To: Ann Kattreh and Eric Roggeman, City of Edina  
 From: Nick Anhut and Mark Ruff, Ehlers  
 Date: February 26, 2015  
 Re: Braemar Golf Pro Forma Review

The City of Edina Parks Department and Finance Department have requested that Ehlers review pro forma financial assumptions for the City of Edina's Golf Enterprise (the "Enterprise") as prepared by City staff and offer comments regarding the financial projections. The basis for our comments are actual historical revenue and expense results for the Enterprise, review of planning documents from peer municipally managed golf courses, and our experience with budgets for municipal recreational enterprises. Generally, we find the City's projections to be based upon reasonable assumptions with the caveats and clarifications raised below.

**General Pro Forma Models**

In preparation for reviewing various capital investments proposed within the Braemar Golf Course Master Plan, City staff prepared baseline annual financial projections through 2020 to update the City's 2014 Golf Operations Study to incorporate recent changes to the Enterprise with the closing of Fred Richards and new contract with Tin Fish. City staff included reductions in revenues related to concessions and greens fees, with more modest adjustments to reflect streamlined expenditures within retail operations, commodities, personnel and contractual services. The City then created three additional models to incorporate the impact of selected Master Plan changes to the course:

- Adding \$2.4 million course, driving range and par 3 renovations in 2015,
- \$8.4 million 27-hole course renovation with the new driving range and par 3, and
- \$6.4 million 18 hole full course renovation in 2017 with the new driving range and par 3.

It should be noted that these models do not assume any substantial price or fee increases and do not include any cash transfer support from external funds. Our evaluation also does not incorporate review of the proposed construction costs, related contingencies, or time horizons.

**Status Quo Model**

The status quo model's projected revenues for 2015 of just over \$2.9 million are adjusted from recent history for the closure of Fred Richards and outsourced grill operations with Tin Fish. Revenues for concessions and alcohol sales are conservatively reduced to reflect the contract in effect starting in the summer of 2015 which shows lower revenues but also lower expenditures. Green Fees revenue in 2015 reflects a onetime modest increase in number of rounds of 10% for 9-hole rounds and 25% for executive course rounds to offset the closure of Fred Richards. These baseline revenues assume no change to current pricing levels. In general, 2016 to 2020 year-over-year projected general revenues assume 3% growth in combined pricing/usage and green fee and range utilization revenues assume a 1% growth, which are reasonable assumptions. See the detailed chart below which also shows a baseline comparison to recent historical operating performance:







Status Quo Model				
Revenues	2011-2014 Compiled	2015 Proposed	2020 Stabilized	
Concessions/Sales	\$ 580,974	\$ 303,075	\$ 260,760	
Golf Dome	\$ 326,276	\$ 332,801	\$ 385,808	
Green Fees	\$ 1,534,510	\$ 1,468,535	\$ 1,543,445	
Driving Range	\$ 243,625	\$ 246,061	\$ 258,613	
Miscellaneous	\$ 559,437	\$ 582,000	\$ 632,178	
Total Revenue	\$ 3,244,821	\$ 2,932,472	\$ 3,080,804	
Expenditures	2011-2014 Compiled	2015 Proposed	2020 Stabilized	
Cost of Goods Sold	\$ 313,477	\$ 180,024	\$ 171,700	
Personal Services	\$ 1,521,625	\$ 1,340,175	\$ 1,553,630	
Contractual Services	\$ 544,356	\$ 493,703	\$ 545,088	
Commodities	\$ 337,851	\$ 288,945	\$ 319,018	
Capital Outlay	\$ 3,355	\$ 3,422	\$ 3,778	
Central Services	\$ 134,809	\$ 137,505	\$ 151,817	
Depreciation	\$ 411,470	\$ 456,000	\$ 556,000	
Total Expenditures	\$ 3,266,942	\$ 2,899,773	\$ 3,301,031	
Operating Income (Loss)	\$ (22,121)	\$ 32,699	\$ (220,227)	

Excluding debt service and non-recurring capital expenditures, the status quo projected 2015 budget for expenditures is over \$360,000 less than recent historical levels. This is primarily due to reductions in commodities, staffing, and contractual services spending related to Fred Richards, along with contracting with Tin Fish for operation of the Grill. Including 2015, the City's projected expenditures include 2% inflationary factor for all line items except for personal services at 3% to be consistent with the City's budgetary practices for other departments. The City's 2015 status quo budget has a sound basis given the City's experience and is in line with the level of expenditures of similar municipal golf enterprises within the metro area.

Despite the projection of a slight positive operating performance in 2015, aging of the course will likely create larger negative cash flows in the short term prior to payment of non-operating expenditures like existing debt and capital replacement needs. For example, the status quo scenario will require at least \$2,000,000 in irrigation improvements by 2017 plus annual improvements of over \$200,000 per year which exceed projections for depreciation expense.

Status Quo	2015	2016	2017	2018	2019	2020
Revenues	\$ 2,932,472	\$ 2,897,815	\$ 2,942,181	\$ 2,987,452	\$ 3,033,652	\$ 3,080,804
Expenditures	\$ (2,899,773)	\$ (2,937,050)	\$ (3,000,475)	\$ (3,165,583)	\$ (3,232,419)	\$ (3,301,031)
Operating Income	\$ 32,699	\$ (39,236)	\$ (58,294)	\$ (178,130)	\$ (198,767)	\$ (220,227)
Add: Depreciation	\$ 456,000	\$ 456,000	\$ 456,000	\$ 556,000	\$ 556,000	\$ 556,000
Less: Existing Debt	\$ (84,215)	\$ (97,490)	\$ (95,540)	\$ (93,590)	\$ (96,565)	\$ (94,465)
Capital Expense	\$ (849,500)	\$ (191,000)	\$ (2,208,000)	\$ (298,000)	\$ (293,000)	\$ (200,000)
New Debt	\$ -	\$ -	\$ 2,000,000	\$ (158,400)	\$ (158,400)	\$ (158,400)
Annual Cash Flow	\$ (445,016)	\$ 128,274	\$ 94,166	\$ (172,120)	\$ (190,732)	\$ (117,092)



**EHLERS**  
LEADERS IN PUBLIC FINANCE

### Driving Range and Par 3 Improvement Model

Projections for revenues adding the impact of improvements to the range and par 3 during the summer of 2015 build upon the status quo model. Key differences are the impacts of proposed construction starting in July, 2015. This event is expected to limit utilization of the range and executive course for the remainder of the season. Upon completion, staff expects increased driving range and par 3 stabilized revenues, and modest increases in membership revenue due to improved amenities. The proforma anticipates range revenues nearly doubling from historical levels once stabilized after construction, and Par 3 green fees recovering by 2017 to a stabilized level 14% higher than the status quo projections. Conservatively, the model does not assume any increase in 9-hole or 18-hole regulation course utilization during Par 3 construction, nor any increases above status quo levels afterward.

New Driving Range & Par 3 Model		
Revenues	2015 Proposed	Stabilized 2020
Concessions/Sales	\$ 303,075	\$ 260,760
Golf Dome	\$ 383,953	\$ 385,808
Green Fees	\$ 1,300,489	\$ 1,577,118
Driving Range	\$ 77,960	\$ 433,740
Miscellaneous	\$ 582,000	\$ 641,636
<b>Total Revenue</b>	<b>\$ 2,647,477</b>	<b>\$ 3,299,062</b>
Expenditures	2015 Proposed	Stabilized 2020
Cost of Goods Sold	\$ 180,024	\$ 171,700
Personal Services	\$ 1,297,597	\$ 1,552,192
Contractual Services	\$ 493,703	\$ 545,088
Commodities	\$ 272,515	\$ 318,662
Capital Outlay	\$ 3,422	\$ 3,778
Central Services	\$ 137,505	\$ 151,817
Depreciation	\$ 456,000	\$ 676,000
<b>Total Expenditures</b>	<b>\$ 2,840,765</b>	<b>\$ 3,419,238</b>
<b>Operating Income (Loss)</b>	<b>\$ (193,289)</b>	<b>\$ (120,176)</b>

Expenditures are expected to decline slightly in 2015 compared to the Status Quo model due to reorganization and temporary closure of the range and Par 3 during construction. However, City staff expects to carry forward this level of expenditures with only inflationary adjustments mentioned above, as well as a projected \$120,000 increase in an accounting depreciation expense directly related to the new capital improvements. Not including depreciation, the projections for total operating expenditures are at or below Status Quo projections.



**EHLERS**  
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Range/Par 3	2015	2016	2017	2018	2019	2020
Revenues	\$ 2,647,477	\$ 2,961,655	\$ 3,148,405	\$ 3,197,592	\$ 3,247,803	\$ 3,299,062
Expenditures	\$ (2,840,765)	\$ (2,995,444)	\$ (3,118,824)	\$ (3,283,886)	\$ (3,350,674)	\$ (3,419,238)
Operating Income	\$ (193,289)	\$ (33,789)	\$ 29,580	\$ (86,293)	\$ (102,872)	\$ (120,176)
Add: Depreciation	\$ 456,000	\$ 516,000	\$ 576,000	\$ 676,000	\$ 676,000	\$ 676,000
Less: Existing Debt	\$ (84,215)	\$ (97,490)	\$ (95,540)	\$ (93,590)	\$ (96,565)	\$ (94,465)
Capital Expense	\$ (2,649,500)	\$ (191,000)	\$ (2,208,000)	\$ (298,000)	\$ (293,000)	\$ (200,000)
New Debt	\$ 2,400,000	\$ (190,000)	\$ 1,810,000	\$ (348,400)	\$ (348,400)	\$ (348,400)
Annual Cash Flow	\$ (71,004)	\$ 3,721	\$ 112,040	\$ (150,283)	\$ (164,837)	\$ (87,041)

### 27-hole Regulation Course Renovation Model

The next model builds upon the range and Par 3 improvements, and includes projections for revenues assuming 27-hole renovation to occur in three 9-hole phases from 2017-2019 to allow for continuous 18-hole operations during construction. City staff expects green fee, cart rental and retail revenues to temporarily decline due to 33% reduction in utilization during the construction period. Revenues return to stabilized levels in 2020, with green fee revenues recovering to a level 5.7% higher than the status quo projections. Membership revenue also declines during course renovation, but does not fully recover to stabilized levels immediately afterward. Similar to the previous model, the model conservatively does not assume any increased utilization of the Par 3 course during construction of the 27-hole regulation course.

27 Hole w/ New Driving Range & Par 3		
Revenues	2015 Proposed	Stabilized 2020
Concessions/Sales	\$ 303,075	\$ 260,760
Golf Dome	\$ 383,953	\$ 385,808
Green Fees	\$ 1,300,489	\$ 1,651,666
Driving Range	\$ 77,960	\$ 433,740
Miscellaneous	\$ 582,000	\$ 653,188
Total Revenue	\$ 2,647,477	\$ 3,385,161
Expenditures	2015 Proposed	Stabilized 2020
Cost of Goods Sold	\$ 180,024	\$ 171,700
Personal Services	\$ 1,297,597	\$ 1,552,192
Contractual Services	\$ 493,703	\$ 545,088
Commodities	\$ 272,515	\$ 318,662
Capital Outlay	\$ 3,422	\$ 3,778
Central Services	\$ 137,505	\$ 151,817
Depreciation	\$ 456,000	\$ 976,000
Total Expenditures	\$ 2,840,765	\$ 3,719,238
Operating Income (Loss)	\$ (193,289)	\$ (334,076)

The proposed 27-hole renovation model builds in reduced operating expenditures related to limited operations during the 2017-2019 phased construction, however stabilized expenditures are expected to be identical to previous models save for the added depreciation expense related to the over \$8 million project.





27-Hole Ren.	2015	2016	2017	2018	2019	2020
Revenues	\$ 2,647,477	\$ 2,961,655	\$ 2,513,014	\$ 2,553,771	\$ 2,595,405	\$ 3,385,161
Expenditures	\$ (2,840,765)	\$ (2,995,444)	\$ (2,570,558)	\$ (2,771,482)	\$ (2,973,756)	\$ (3,719,238)
Operating Income	\$ (193,289)	\$ (33,789)	\$ (57,545)	\$ (217,711)	\$ (378,351)	\$ (334,076)
Add: Depreciation	\$ 456,000	\$ 516,000	\$ 576,000	\$ 726,000	\$ 876,000	\$ 976,000
Less: Existing Debt	\$ (84,215)	\$ (97,490)	\$ (95,540)	\$ (93,590)	\$ (96,565)	\$ (94,465)
Capital Expense	\$ (2,649,500)	\$ (191,000)	\$ (8,556,383)	\$ (98,000)	\$ (93,000)	\$ -
New Debt	\$ 2,400,000	\$ (190,000)	\$ 8,158,383	\$ (864,000)	\$ (864,000)	\$ (864,000)
Annual Cash Flow	\$ (71,004)	\$ 3,721	\$ 24,915	\$ (547,301)	\$ (555,916)	\$ (316,541)

### 18-Hole Regulation Course Renovation Model

The final revenue model exchanges the 27-hole renovation for an 18-hole renovation that includes the elimination of 9 holes from the golf facility. Construction is expected to occur in 2017 and cause a full shutdown of the regulation course that year. In addition to zero 18 or 9-hole green fee revenue, City staff expect 90% reductions to rental and retail revenues during the year-long construction period. Revenues return to stabilized levels 2018, with green fee revenues recovering to a level 7.8% higher than the status quo projections. Membership revenue also declines during course renovation, but stabilizes immediately afterward with modest increases. As with prior models, the pro forma conservatively does not assume any increased utilization of the Par 3 course during construction of the regulation course.

18 Hole w/ New Driving Range & Par 3		
Revenues	2015 Proposed	Stabilized 2020
Concessions/Sales	\$ 303,075	\$ 260,760
Golf Dome	\$ 383,953	\$ 385,808
Green Fees	\$ 1,300,489	\$ 1,679,416
Driving Range	\$ 77,960	\$ 429,445
Miscellaneous	\$ 582,000	\$ 670,508
Total Revenue	\$ 2,647,477	\$ 3,425,937
Expenditures	2015 Proposed	Stabilized 2020
Cost of Goods Sold	\$ 180,024	\$ 171,700
Personal Services	\$ 1,297,597	\$ 1,241,754
Contractual Services	\$ 493,703	\$ 436,070
Commodities	\$ 272,515	\$ 254,930
Capital Outlay	\$ 3,422	\$ 3,778
Central Services	\$ 137,505	\$ 151,817
Depreciation	\$ 456,000	\$ 891,000
Total Expenditures	\$ 2,840,765	\$ 3,151,049
Operating Income (Loss)	\$ (193,289)	\$ 274,888

The proposed 18-hole renovation model also assumes reductions in expenditures related to the regulation course closure in 2017 for construction. Upon reopening in 2018, City staff expects a reduction in stabilized expenditures related to personnel, maintenance and commodities attributed to the



elimination of 9 regulation holes. The leaner operating budget is estimated to be \$480,000 less than that of the 27-hole models prior to inclusion of depreciation.

18-Hole Ren.	2015	2016	2017	2018	2019	2020
Revenues	\$ 2,647,477	\$ 2,961,655	\$ 1,136,974	\$ 3,321,826	\$ 3,373,349	\$ 3,425,937
Expenditures	\$ (2,840,765)	\$ (2,995,444)	\$ (1,408,805)	\$ (2,882,726)	\$ (3,094,915)	\$ (3,151,049)
Operating Income	\$ (193,289)	\$ (33,789)	\$ (271,831)	\$ 439,101	\$ 278,435	\$ 274,888
Add: Depreciation	\$ 456,000	\$ 516,000	\$ 576,000	\$ 733,500	\$ 891,000	\$ 891,000
Less: Existing Debt	\$ (84,215)	\$ (97,490)	\$ (95,540)	\$ (93,590)	\$ (96,565)	\$ (94,465)
Capital Expense	\$ (2,649,500)	\$ (191,000)	\$ (6,566,179)	\$ (98,000)	\$ (93,000)	\$ -
New Debt	\$ 2,400,000	\$ (190,000)	\$ 6,168,179	\$ (704,000)	\$ (704,000)	\$ (704,000)
Annual Cash Flow	\$ (71,004)	\$ 3,721	\$ (189,371)	\$ 277,011	\$ 275,870	\$ 367,423

#### Revenue Considerations:

Coupled with national trends in declining golf participation, the marketplace for golf in the metropolitan area during the limited spring, summer and fall seasons is fairly competitive with the majority of pressure coming from alternative recreational activities. Regional weather patterns also induce volatility into annual golf enterprise revenue performance. While price is an important factor, the most significant a risk of flight from core users is to a superior product because of limited supply with recent course closures throughout the metro area. Within its relative control, maintaining Enterprise revenue levels will primarily depend upon the ability of the City to provide a competitive product to maintain a variety of core golf users and successfully market the product to ultimately grow utilization.

It is our understanding that the majority of miscellaneous and sales revenue projections also reflect limited year round use of the golf amenities. The City expects to explore opportunities to promote more year round use of the facilities in the future. Also, it is assumed Golf Dome revenues will stabilize at current levels due to recent improvements and performance.

We are relying on statements from staff that there is capacity available within all models to support current utilization levels while reducing from a 27 to 18-hole regulation course. However, the City should consider its reliance on increases to green fees revenue within the renovation models. While it may be reasonable to set an expectation of no drop off in rounds purchased once operations are stabilized, it is inconsistent with the City's overall conservative approach to rely on the higher levels of projected revenue within the 18-hole model without engaging in a more detailed market analysis to validate it.

#### Expenditure Considerations

While the City models project a reduced operating footprint from historical levels, it is reasonable to assume a sustainable level of reductions can be obtained due to recent changes within the golf enterprise. The pro forma also includes a 3% inflation on personnel costs, despite its reliance on part-time and seasonal labor whose costs may not historically increase at that rate. One consideration is decoupling when reductions in operating costs will occur relative to reductions in course use during periods of construction. It is absolutely reasonable to assume that commodity, goods, some personnel and maintenance expense will be reduced during these time frames, however a cash flow consideration



should be given to whether a lag will exist between when reductions in revenues and expenditures are realized.

### **Non-Operating Pro Forma Considerations**

In addition to the operating assumptions, City staff has also anticipated non-operating expenditures for existing debt on the Braemar Golf Dome, new debt service related to the proposed Master Plan improvements, and planned capital outlays to evaluate annual cash flow activity. The City has incorporated a long-term plan for capital improvements for the golf enterprise within its 5-year Capital Improvement Plan. The plan includes detailed line item expenses identified for equipment replacement, repairs and facility renovations. Prior to any renovation, the status quo capital outlays average \$674,000 per year primarily identifying major irrigation upgrades needed within the 3-5 year horizon.

Under a special legislative authority, the City has considered the issuance of General Obligation Bonds to finance major capital improvements to selected recreational enterprises like the Golf Dome and Braemar Ice Arena. This debt requires a pledge of existing enterprise revenues, but is backed by the City's levy authority which ensures low interest costs relative to other forms of debt. The City's existing golf debt service averages \$94,000 per year. Using current market "AAA" rates inflated by half a percent, Ehlers estimates annual debt service at \$190,000 for the range improvements, \$674,000 for the 27-hole renovation, and \$514,000 for the 18-hole renovation. These estimates are based on a 15-year term of repayment.

The City has utilized options to pay for operating deficits, capital and non-operating expenses using operating cash, capital reserves, Braemar Memorial Funds and transfers from either of Liquor or General Fund surpluses. These projections do not assume any income related to transfers or potential interest earning, and are included for illustrative purposes. The City should consider funding long-term capital improvements through use of a capital reserve for the Enterprise. Future capital costs are difficult to predict, but additional attention should be placed on maximizing revenues and/or reducing operating expenses in order to accrue additional funding for this Enterprise's capital reserve.

### **Comparison to Peer Municipal Golf Operations**

When comparing the Enterprise to similar municipal golf operations, the total projected revenues are achievable but are on the higher end of what we see within the metro area. Comparable golf facilities operated by municipalities in the metropolitan area perform in the range of \$2.0 to \$2.8 million in annual gross revenues. However, Edina's Golf Enterprise is larger than most due to operating a domed golf practice facility, driving range and 36-hole golf course. Other like municipally operated facilities typically contain only a single 18 to 27-hole course and outdoor range. Operation of the Golf Dome alone enables Edina's revenues to be potentially \$300,000 higher than a typical municipal golf operation. We have no reason today to doubt the ability of the City to achieve \$3.0 to 3.4 million per year revenues for its operation, but we believe that examining revenues from other facilities is helpful to provide context for risk and sensitivity analysis.





Likewise, comparable golf enterprises share recent history of operating expenditures at or exceeding operating revenues. Typical operating margins range from levels of -10% to 4% of revenues due primarily to reduction in rounds purchased and the inability to adjust costs commensurate with reduced utilization. .

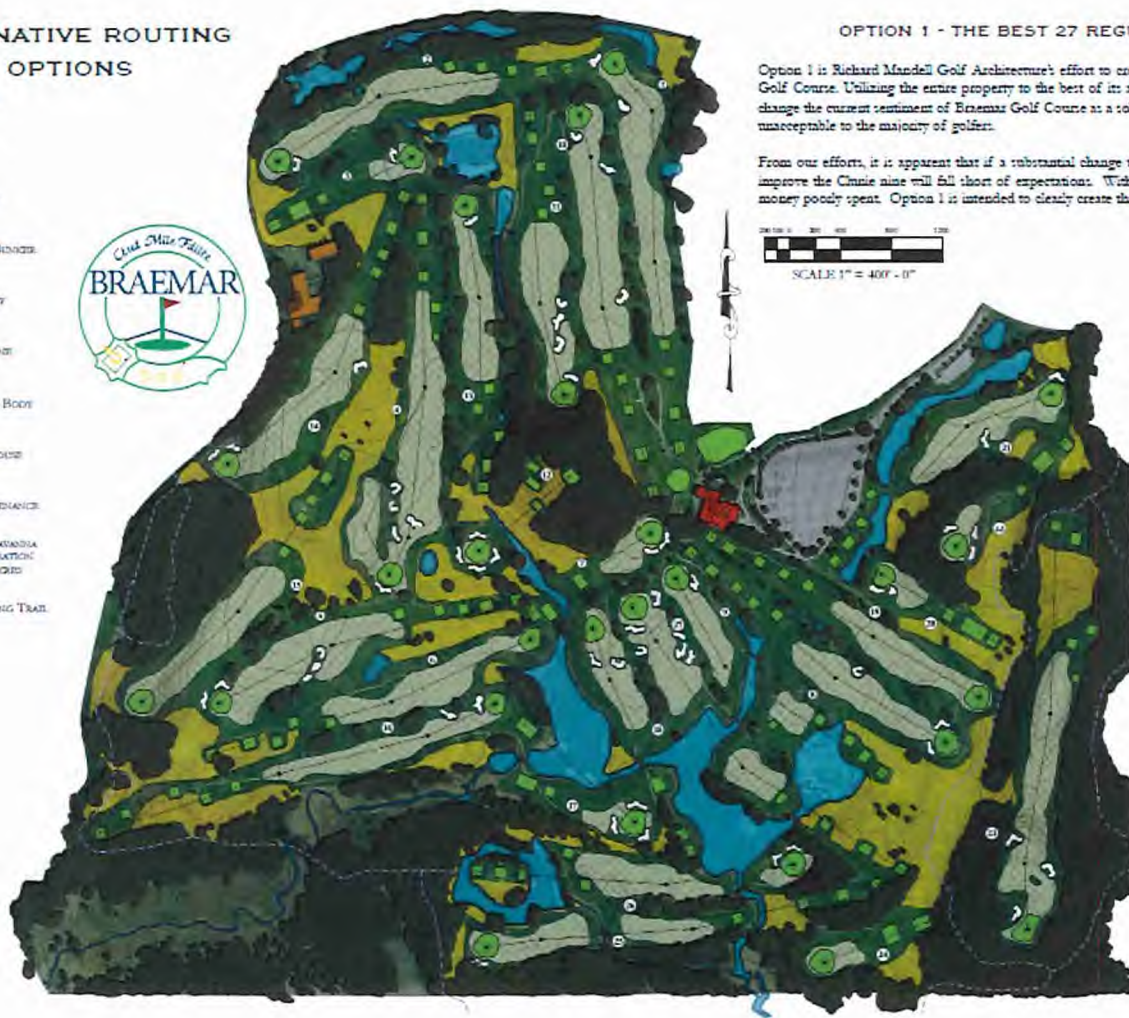
### **Background on Ehlers**

Ehlers is a financial advisory firm experienced in assisting local governments with the financing of a variety of assets, including recreational facilities. Ehlers is not an accounting firm nor was this report prepared by certified public accountants or according to general accepted accounting principles. This report is not intended to be construed as an appraisal, a feasibility study, nor as a review of the City's capacity/business plan for the Braemar Golf Improvements. We are engaged in a limited scope primarily to raise questions about the proposed operating and capital budget, and offer insights given our experience with the City's finances generally and with operating budgets for other recreation enterprises.

## ATTACHMENT D:

ALTERNATIVE ROUTING  
OPTIONS

## LEGEND



## OPTION 1 - THE BEST 27 REGULATION HOLES POSSIBLE

Option 1 is Richard Mandell Golf Architecture's effort to create the three best possible nine hole loops for Braemar Golf Course. Utilizing the entire property to the best of its ability, the sole objective is to create three equal nines to change the current sentiment of Braemar Golf Course as a solid and enjoyable original eighteen holes with a third nine unacceptable to the majority of golfers.

From our efforts, it is apparent that if a substantial change to the third nine is not made, then any smaller effort to improve the Clinie nine will fall short of expectations. With that thought, the money spent on anything less will be money poorly spent. Option 1 is intended to clearly create three equal nines.

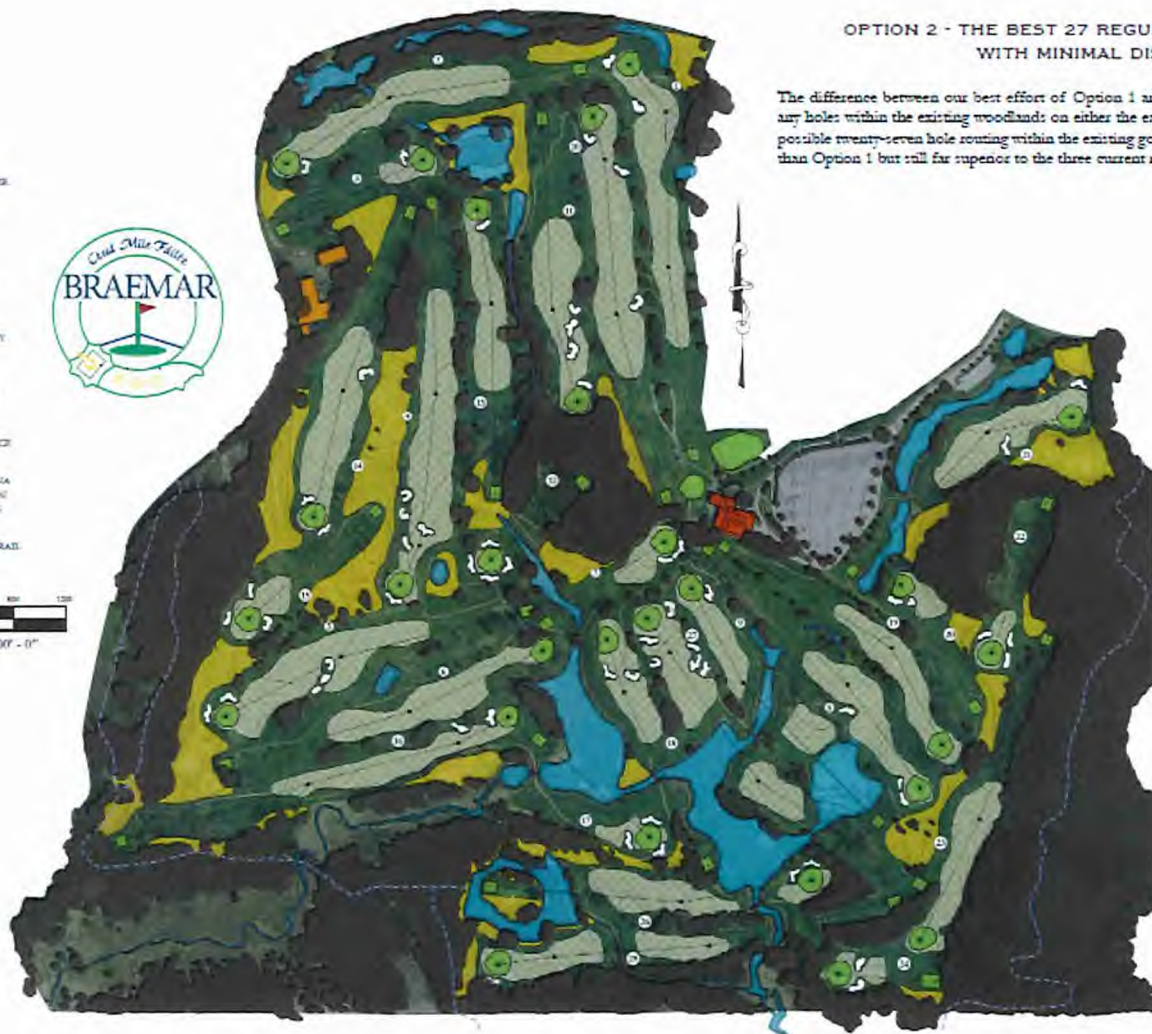


HOLE	PAR	A	B	C	D	E
1	5	526	480	422	384	351
2	4	407	374	336	299	259
3	3	204	166	161	151	128
4	5	521	475	415	376	338
5	4	416	376	342	310	261
6	4	448	391	358	314	283
7	3	187	163	156	147	113
8	4	417	376	341	312	262
9	4	383	356	312	277	242
CASTLE	36	3509	3187	2843	2590	2237
Castle to Hays	72	6840	6171	5533	5024	4347
10	5	507	450	395	352	315
11	4	374	345	305	273	241
12	3	155	146	134	121	94
13	4	373	342	300	269	238
14	4	435	388	354	331	274
15	4	425	384	349	324	272
16	5	548	502	441	400	357
17	3	193	162	156	145	118
18	4	521	295	258	229	201
HAYS	36	3331	3014	2690	2434	2110
Hays to Clinie	72	6593	5983	5335	4809	4184
19	4	349	361	317	281	246
20	3	169	154	147	131	104
21	4	368	338	298	266	235
22	3	199	166	160	150	122
23	5	549	505	445	403	361
24	3	145	141	125	105	88
25	5	523	477	418	379	341
26	4	417	379	345	315	265
27	5	503	448	390	347	312
CLINIE	36	3262	2969	2645	2375	2074
Clinie to Castle	72	6771	6126	5488	4965	4311



# LEGEND

-  TEE
-  GREEN
-  SAND BUNKER
-  FAIRWAY
-  THICKET
-  WATER BODY
-  CLEARING
-  MAINTENANCE
-  OAK SAVANNA RESTORATION 17.66 ACRES
-  WALKING TRAIL



## OPTION 2 - THE BEST 27 REGULATION HOLES POSSIBLE WITH MINIMAL DISTURBANCE

The difference between our best effort of Option 1 and Option 2 is that number two does not have any holes within the existing woodlands on either the east nor west sides. Instead, Option 2 is the best possible twenty-seven hole routing within the existing golf course land. As a result, this option is shorter than Option 1 but still far superior to the three current nines.

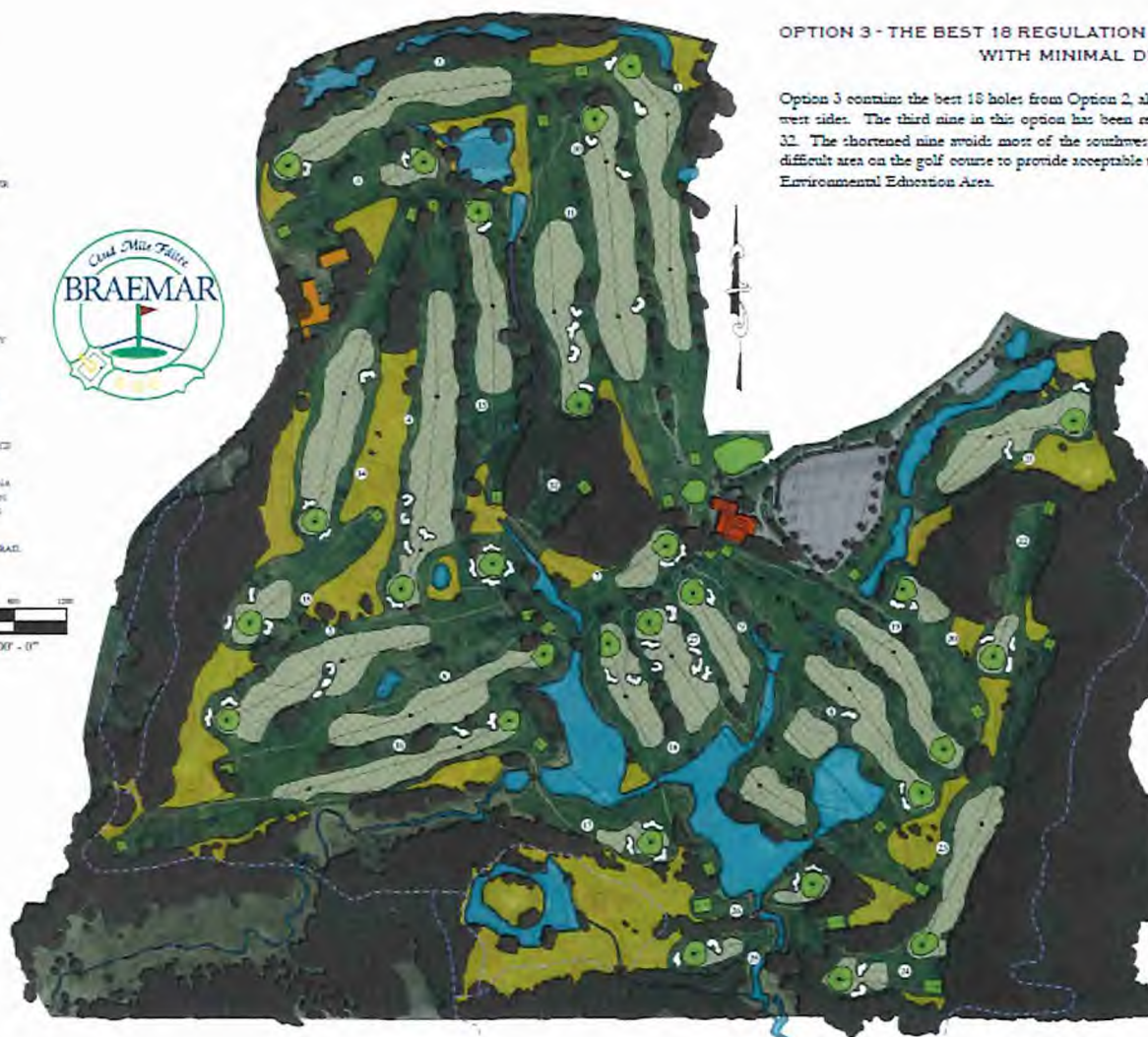
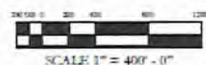
HOLE	PAR	YARDS
1	5	526
2	4	407
3	5	204
4	5	521
5	4	416
6	4	438
7	3	187
8	4	412
9	4	374
CASTLE	36	3466
Castle to Hays	71	6571

HOLE	PAR	YARDS
10	5	507
11	4	374
12	3	155
13	4	373
14	4	419
15	3	217
16	5	523
17	3	196
18	4	321
HAYS	35	3086
Hays to Clunie	70	6230

HOLE	PAR	YARDS
19	4	390
20	3	186
21	4	360
22	3	209
23	4	424
24	3	129
25	5	523
26	4	421
27	5	503
CLUNIE	35	3144
Clunie to Castle	71	6630



# LEGEND



## OPTION 3 - THE BEST 18 REGULATION HOLES & EXECUTIVE 9 POSSIBLE WITH MINIMAL DISTURBANCE

Option 3 contains the best 18 holes from Option 2, also avoiding the woodlands on both the east and west sides. The third nine in this option has been reduced to an executive nine playing to a par of 32. The shortened nine avoids most of the southwest corner of the golf property which is the most difficult area on the golf course to provide acceptable turfgrass conditions. This can be converted to an Environmental Education Area.

HOLE	PAR	YARDS
1	5	526
2	4	407
3	3	204
4	5	521
5	4	416
6	4	434
7	5	187
8	4	412
9	4	574
<b>CASTLE</b>	<b>36</b>	<b>3486</b>
Castle to Hays	<b>71</b>	<b>6571</b>

HOLE	PAR	YARDS
10	5	507
11	4	374
12	3	155
13	4	373
14	4	419
15	3	217
16	5	523
17	3	196
18	4	321
<b>HAYS</b>	<b>35</b>	<b>3086</b>
Hays to Clunie	<b>67</b>	<b>5635</b>

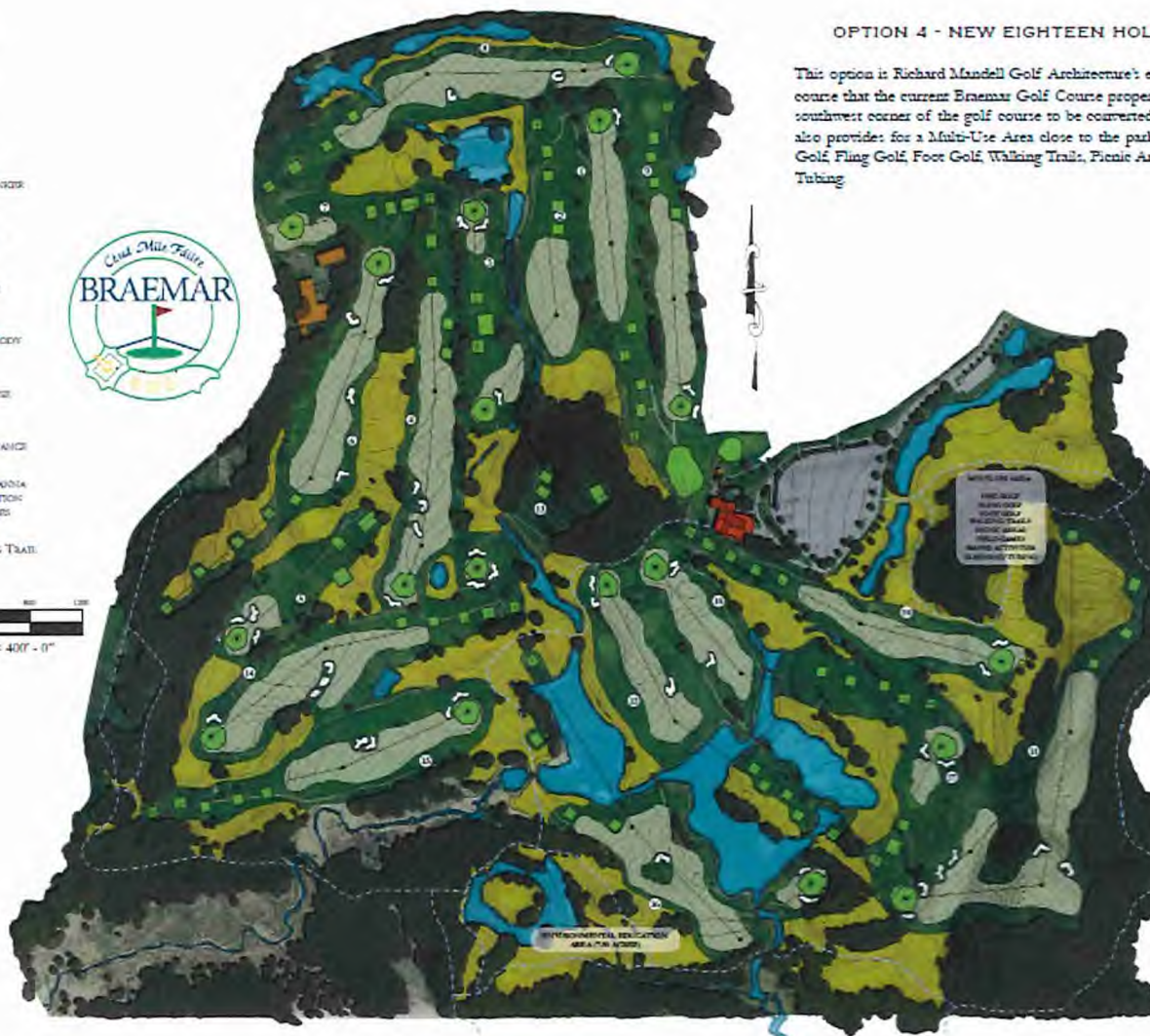
HOLE	PAR	YARDS
19	4	390
20	3	186
21	4	560
22	3	299
23	4	424
24	3	129
25	3	196
26	3	152
27	5	503
<b>CLUNIE</b>	<b>32</b>	<b>2549</b>
Clunie to Castle	<b>68</b>	<b>6035</b>



## LEGEND



0 200 400 600 800 1000  
SCALE 1" = 400' - 0"



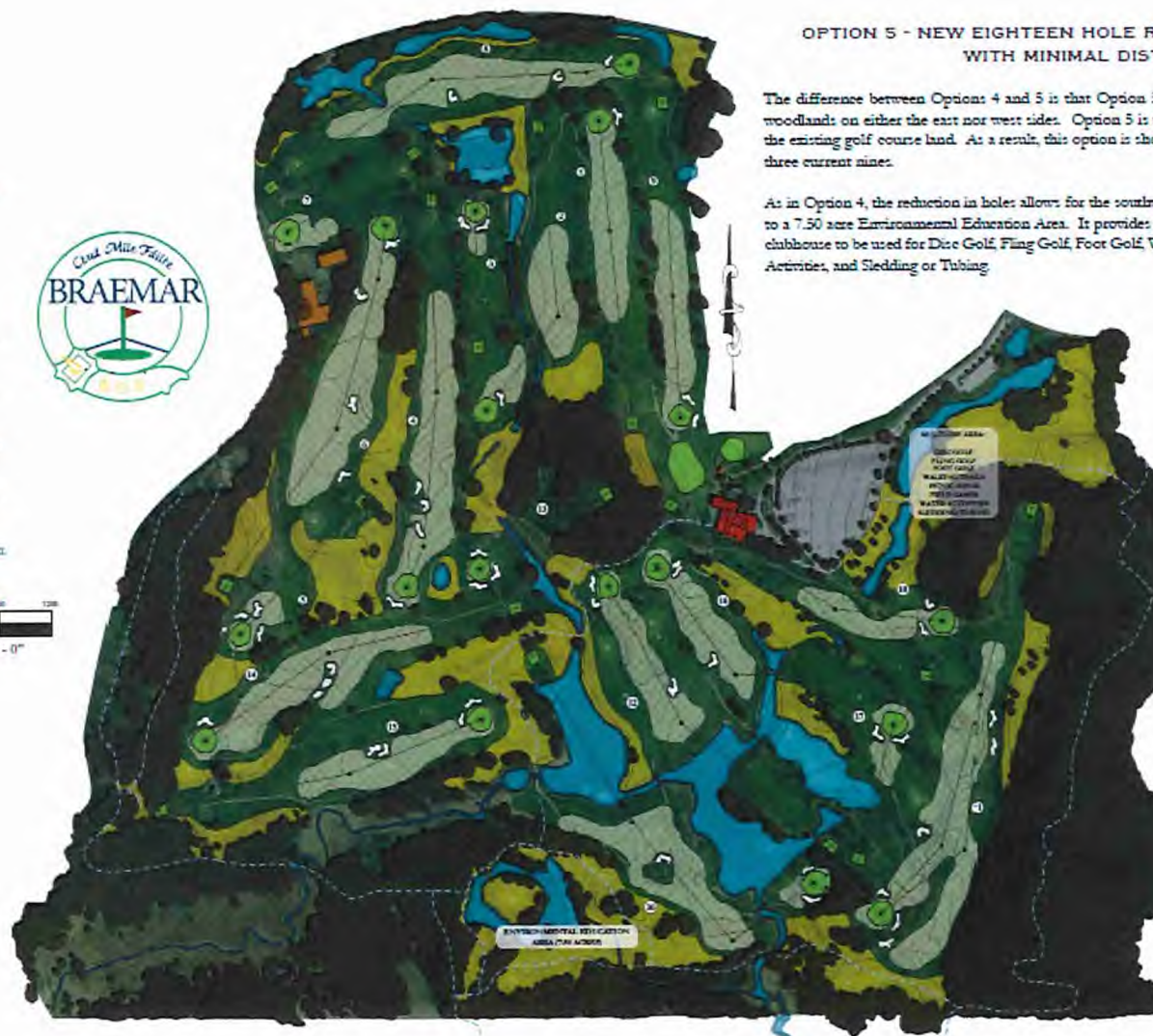
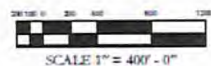
## OPTION 4 - NEW EIGHTEEN HOLE REGULATION GOLF COURSE

This option is Richard Mandell Golf Architecture's effort to create the best possible eighteen hole golf course that the current Braemar Golf Course property will yield. The reduction in holes allows for the southwest corner of the golf course to be converted to a 7.50 acre Environmental Education Area. It also provides for a Multi-Use Area close to the parking lot and clubhouse that can be used for Disc Golf, Fling Golf, Foot Golf, Walking Trails, Picnic Areas, Field Games, Water Activities, and Sledding or Tubing.

HOLE	FAR	A	B	C	D	E
1	4	411	350	345	305	273
2	4	403	369	333	294	263
3	3	177	160	149	136	115
4	5	505	451	393	342	306
5	3	236	216	181	171	156
6	5	540	475	415	359	321
7	3	162	150	144	129	106
8	5	508	467	414	361	336
9	4	388	346	323	268	249
OUT	36	3330	3014	2699	2387	2131
10	4	437	410	374	336	299
11	5	625	570	521	457	411
12	4	447	410	374	336	299
13	3	187	170	154	147	131
14	4	435	400	369	327	290
15	4	425	387	356	313	277
16	5	565	512	451	397	354
17	3	169	154	144	133	110
18	4	426	390	361	317	281
IN	36	3717	3403	3104	2763	2452
TOTAL	72	7047	6417	5803	5150	4583



## LEGEND



### OPTION 5 - NEW EIGHTEEN HOLE REGULATION GOLF COURSE WITH MINIMAL DISTURBANCE

The difference between Options 4 and 5 is that Option 5 does not have any holes within the existing woodlands on either the east nor west sides. Option 5 is the best possible eighteen hole routing within the existing golf course land. As a result, this option is shorter than Option 4 but still far superior to the three current ones.

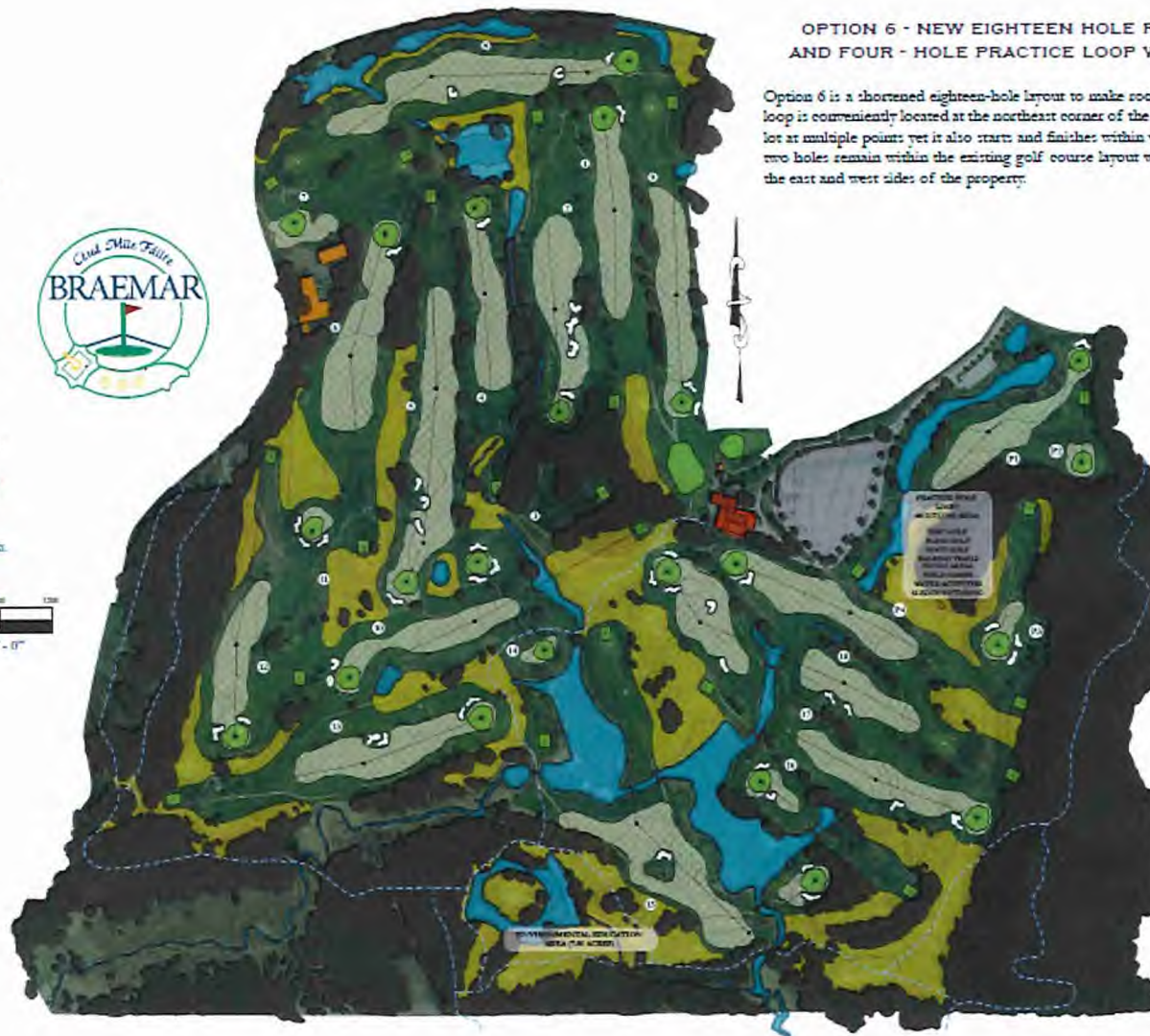
As in Option 4, the reduction in holes allows for the southwest corner of the golf course to be converted to a 7.50 acre Environmental Education Area. It provides for a Multi-Use Area near the parking lot and clubhouse to be used for Disc Golf, Fling Golf, Foot Golf, Walking Trail, Picnic Areas, Field Games, Water Activities, and Sledding or Tubing.

HOLE	PAR	YARDS
1	4	393
2	4	403
3	3	177
4	5	507
5	3	213
6	5	501
7	3	194
8	5	520
9	4	408
CASTLE	36	3336

HOLE	PAR	YARDS
10	4	390
11	5	587
12	4	448
13	3	191
14	4	444
15	4	432
16	5	576
17	3	181
18	4	421
HAYS	36	3670
TOTAL	72	7007



## LEGEND



### OPTION 6 - NEW EIGHTEEN HOLE REGULATION GOLF COURSE AND FOUR - HOLE PRACTICE LOOP WITH MINIMAL DISTURBANCE

Option 6 is a shortened eighteen-hole layout to make room for a four-hole practice loop. The practice loop is conveniently located at the northeast corner of the golf course so it is accessible from the parking lot at multiple points yet it also starts and finishes within walking distance of the clubhouse. All twenty-two holes remain within the existing golf course layout without interfering with the woodland areas to the east and west sides of the property.

HOLE	PAR	YARDS
1	4	372
2	4	383
3	3	186
4	4	361
5	5	505
6	4	413
7	5	172
8	5	508
9	4	388
CASTLE	36	3287

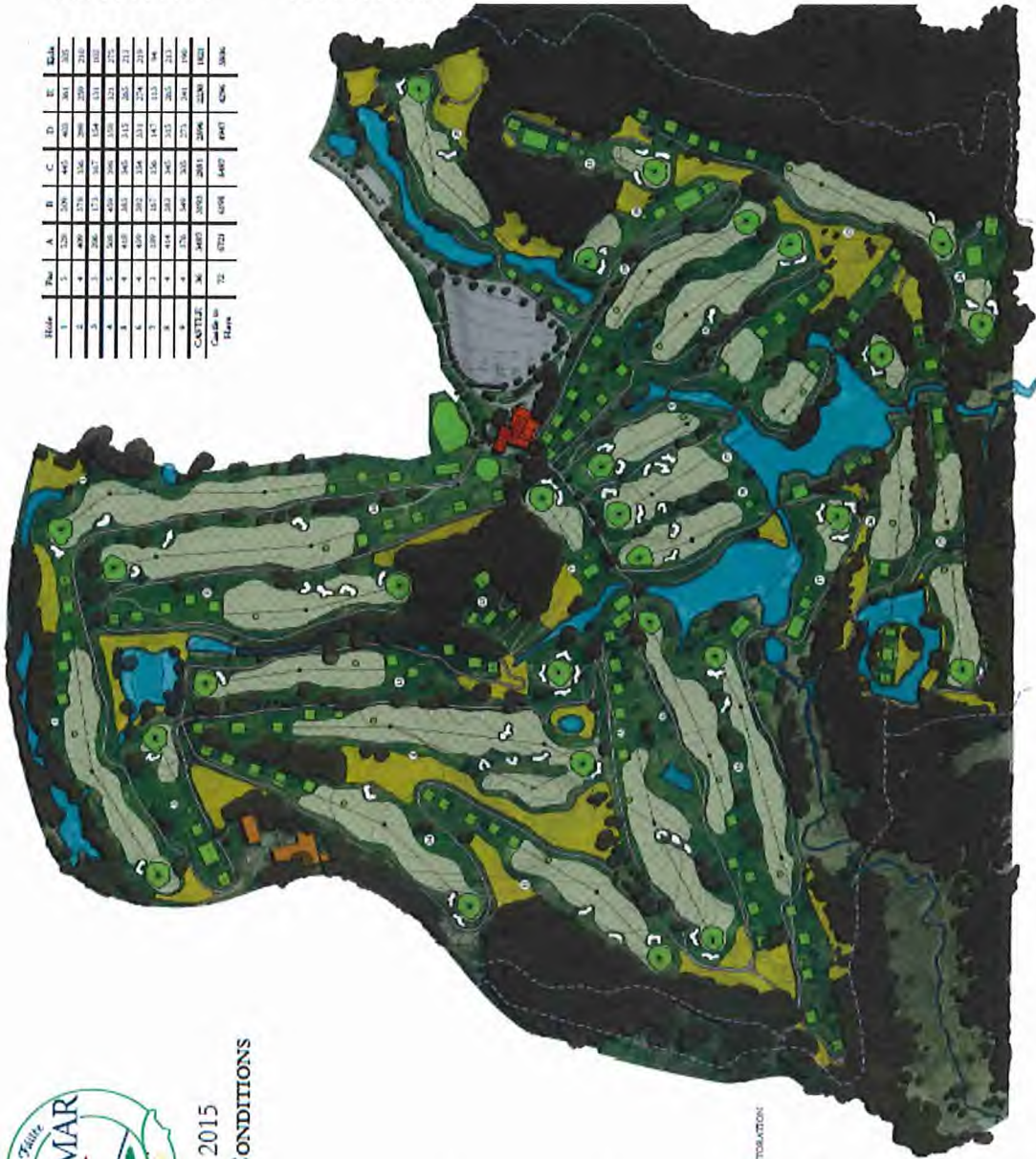
HOLE	PAR	YARDS
10	4	428
11	3	193
12	4	368
13	4	412
14	3	120
15	5	559
16	3	240
17	4	389
18	5	527
HAYS	35	3237
TOTAL	71	6524

HOLE	PAR	YARDS
P1	4	308
P2	3	86
P3	3	183
P4	4	409



APRIL, 2015  
PROPOSED CONDITIONS

## LEGEND



State	Pos	A	B	C	D	E	EA
00	8	309	403	308	354	323	271
01	8	371	344	302	388	307	186
02	3	160	154	118	115	98	35
03	4	170	156	181	179	146	174
04	4	404	374	305	299	239	211
05	4	369	354	342	271	241	196
06	3	125	448	420	179	141	89
07	3	195	171	180	153	122	80
08	4	321	301	258	209	201	168
HAVER	86	3234	3042	2308	2310	2068	1938
Haver County	70	6304	5164	4564	4564	4137	3280

Heide	Pos	A	B	C	D	E	F
1	5	520	508	445	443	381	387
2	4	490	578	562	580	589	518
3	1	286	173	187	154	133	101
4	5	506	458	398	55	321	275
5	4	410	381	346	315	265	211
6	4	450	392	354	311	274	218
7	1	189	157	156	147	113	94
8	4	414	383	345	315	265	211
9	4	376	340	303	271	241	196
CATTLE	36	3497	3983	3815	3794	3430	3482
Cows in Herd	72	8721	8508	8487	8483	8266	8306

Male	Ph	A	B	C	D	E
19	4	262	275	157	229	252
20	2	107	142	154	141	123
21	4	262	249	157	273	241
22	3	194	177	160	147	132
23	4	432	388	349	324	272
24	3	181	113	170	87	86
25	4	463	395	330	354	283
26	4	432	388	349	354	283
27	4	532	459	388	354	321
CLINTE	34	3070	2601	2329	2248	1908
Chavez to Canada	70	6387	5624	5300	4901	4261



SCALE 100 = 100% = 1.0

## **ATTACHMENT E:**

### **Braemar Master Plan Work Session Agenda**

5:00 Introductions – 2 minutes

Staff PowerPoint Presentation  
History – 2 minutes  
City Council Direction on Master Plan  
Selection of Task Force  
Plan for approvals – May Park Board; June Council

5:05 Richard Mandell – include in Staff's PowerPoint Presentation  
18 Hole Option  
27 Hole Option

5:20 Task Force Members Discussion – Include in PowerPoint Presentation – already provided by Task Force  
Pros/Cons of Each Option

5:30 Pro Formas – Include in Staff's PowerPoint Presentation  
Eric/Joe  
Brenda

5:40 Discussion

5:55 Close Discussion